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UNCLAS HARARE 000460

SIPDIS

SENSITIVE

STATE FOR AF/S AND AF/EX  
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER  
USDOC FOR AMANDA HILLIGAS  
TREASURY FOR OREN WYCHE-SHAW  
PASS USTR FLORIZELLE LISER  
STATE PASS USAID FOR MARJORIE COPSON

¶E. O. 12958: N/A  
TAGS: [ECON](#) [EINV](#) [ETRD](#) [PGOV](#) [ZI](#)  
SUBJECT: The GOZ's Anti-Corruption Show

1.(U) Summary: The Reserve Bank's (RBZ) much ballyhooed anti-corruption campaign has now shut down one large bank and a smattering of marginal institutions while pursuing several hundred individuals. Although the RBZ has dredged up genuine instances of impropriety and embezzlement, it has mostly acted against holders and facilitators of undeclared foreign accounts and not yet against political leaders. This is part of the RBZ's latest and misguided attempt to destroy the parallel currency market. End summary.

#### Uneasiness Over Vingirai and Ncube Charges

¶2. (SBU) So far, RBZ investigators have raised charges against four significant players: businessmen Philip Chiyangwa and James Makamba as well as Intermarket's Nicolas Vingirai and Barbican Bank's Mtuli Ncube. Chiyangwa and Makamba were successor generation ZANU-PF upstarts aiming to leverage their political influence into commercial endeavors. Many Zimbabweans - including older ZANU-PF politicos - seemed to rejoice at their imprisonment. Reactions to charges against Vingirai and Ncube have been more conflicted. (Intermarket is a large bank, while Barbican was only launched as a commercial bank last year.) Both Vingirai and Ncube were founders and CEOs of their banks, prominent businessmen who served as role models and financiers for emerging black entrepreneurs. Those who liked and respected the two have been pained to see them flee the country.

¶3. (U) In addition, the RBZ has pursued a host of tiny financial institutions - such as Trust, NMB and ENG - as well as several hundred individuals. In some cases, the RBZ seems to have unearthed evidence of malfeasance, perhaps best epitomized by Chiyangwa's large collection of fancy cars. In most cases, however, the RBZ is charging individuals and financial bodies with externalization of assets. Ultimately, this is selective and opportunistic enforcement, since almost every large business and businessman has dealt in the parallel market and maintained undeclared foreign accounts. For example, RBZ Governor Gideon Gono's own bank, CBZ, had been a prominent parallel market trader.

#### Comment

¶4. (SBU) The net effect of the RBZ's energetic anti-corruption campaign has been negative on two accounts. First, this economy needs a parallel currency market, at least until there is sufficient export revenue to fuel the twice-weekly auctions. By killing the parallel market while enforcing an overvalued zimdollar at gunpoint, the RBZ is further damaging the economy by limiting sharply access to essential foreign exchange. Second, the RBZ has been too selective in its targeting. Despite ample evidence of similar "offenses," authorities have yet to snare a truly "big fish" such as a cabinet official or Parliament speaker Emmerson Mnangagwa.

¶5. (SBU) It is ironic that Barbican's Ncube was a serious runner-up to Gono as the new RBZ chief. In a parallel universe, we have no doubt that RBZ Governor Ncube is contemplating whether to take a call from fugitive Gono in London.

Sullivan